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Author:

Walbank, John Arthur

Title:

Builders' accounts

Place:

London

Date:

[1913]

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London, Gee & co., 1904. [3 ed. 1913]
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by the editor of "The Accountant." First series, vol. III)
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1. Accounting. 2. Building—Accounting.

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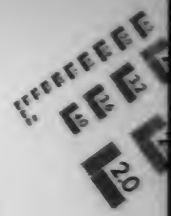
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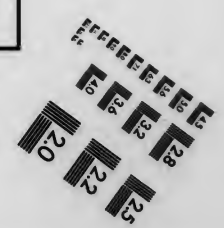
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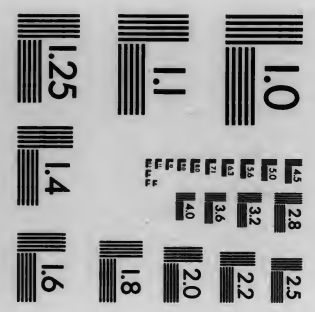
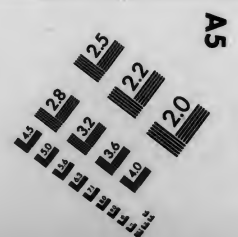
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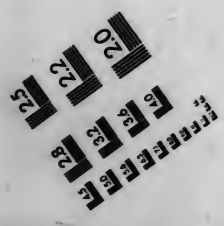
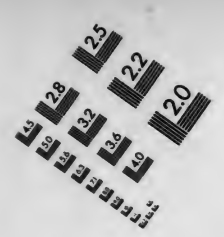
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"THE ACCOUNTANTS' LIBRARY."

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(FIRST SERIES)

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"THE ACCOUNTANTS' LIBRARY."

VOL. III.

BUILDERS' ACCOUNTS

BY

JOHN A. WALBANK, F.C.A.

(Honours Final)

(Of the firm of John A. Walbank & Co., Chartered Accountants),

NEWCASTLE-UPON-TYNE.

THIRD EDITION.

LONDON:

GEE & Co. (Publishers) LTD., 34 MOORGATE STREET, E.C.

1913.

Business
II 410
Ac. 27
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EDITOR'S PREFACE.

THE object of the series of handbooks that is being published under heading of THE ACCOUNTANTS' LIBRARY is to provide, at a reasonable price, detailed information as to the most approved methods of keeping accounts in relation to all the leading classes of industry whose books call for more or less specialised treatment. No such series has hitherto been attempted; but there exist, of course, numerous separate works dealing with the accounts of one particular class of undertaking. These separate works are, however, for the most part either too expensive, or too superficial to answer the purpose that is particularly aimed at by THE ACCOUNTANTS' LIBRARY, which is intended to supply the student with that specialised information which he may require, while at the same time affording to the trader, banker, or manufacturer who is not in a position to secure the fullest information for his purpose, knowledge which can hardly fail to be of the very greatest assistance to him in the correct keeping of his accounts, upon a system specially adapted to his requirements, and therefore involving a minimum expenditure of labour. It is expected that the series will also be found of material assistance to bookkeepers of all classes.

Without aiming at giving an exhaustive account of the manner in which each separate business is conducted, the technical points in connection with each industry will receive as much attention as is necessary in order fully to elucidate the system of accounts advocated, while each volume will be the work of one who has made that particular class of accounts more or less a speciality. It is obvious, however, that to enable the necessary ground to be covered in the space available, it is incumbent to assume upon the part of the reader a certain knowledge of general bookkeeping. The extent of the knowledge assumed will vary according to the nature of the class of accounts considered. For example, in the volumes on "Bank Accounts" and "Shipping Accounts," a thorough acquaintance with ordinary double-entry bookkeeping is not unnaturally assumed; but in the case, for instance, of "Auctioneers' Accounts," "Domestic Tradesmen's Accounts," and other similar volumes, such explanations are included as will enable the ordinary intelligent reader fully to grasp the methods described even although his knowledge of bookkeeping may be of an elementary description. These explanations are, doubtless, superfluous as far as accountants are concerned, but are necessary to make the volumes of value to the majority of those specially engaged in these particular industries.

To subscribers for the whole series it may be added that, when completed, it will form a most valuable and practically complete library, dealing, at the hands of specialists, with practically every class of accounts, and illustrating the application

of the theory of double-entry as described in general works on bookkeeping.

The first series (of twenty volumes) has already been completed, and particulars of the subjects dealt with will be found on p. i. A second series (which will comprise about thirty more volumes) is now in progress, which when issued will complete the scheme. Many of these have already been arranged for, but the Editor will be glad to receive suggestions and offers from accountants of experience for the undertaking of volumes not yet announced.

34 Moorgate Street,

London, E.C.

June 1903.

AUTHOR'S PREFACE.

ON a third edition of this work being called for, shortly after the coming into force of the National Insurance Act, 1911, I have taken the opportunity of making the few alterations necessary, in order to explain how the bookkeeping should be amended to record these insurance contributions, &c. I have had regard to the fact that Unemployment Insurance applies in this case in addition to Health Insurance.

I have examined several forms of ruling during the past few weeks for dealing with the changes involved in books of account by the coming into operation of national insurance. All these forms which I have examined are either too cumbersome, or are defective in some other way. While the full advantages of national insurance do not yet appear to have been appreciated by the majority of persons, such small disadvantages (if any) as there are appear to have been widely magnified, and this appears to be the explanation of the unsatisfactory forms of ruling issued by various printers, &c., which have come before my notice. Many of these forms involve almost a complete set of separate records for dealing with national insurance matters. It must be remembered that, important as the subject is in the social progress of the nation, yet it need only form a very small portion of the accounting records of a business. I have accordingly, on being applied to by various clients, drafted simple, yet quite adequate, methods of dealing with the matter, and my recommendations to clients in the building trade are now incorporated in this edition.

It will be found, on turning to the *pro forma* Wages Book, that all the additional information required can be brought into this existing book (not a single additional book is necessary) by the addition of only four columns (in other businesses where Unemployment Insurance does not apply at present—though this will doubtless be rectified in course of time—it will not be necessary to have so many additional columns).

I again desire to thank my friends and clients, and the public generally, for the heartiness with which they have received previous editions of this little work, and trust the present may be found of equal, if not greater, use.

I also thank the accountancy students and others for their friendly criticism of past editions, and hope to be favoured with such in the future. I would draw the attention of the accountancy student (about to sit an examination with only a limited amount of time available) to Appendix B. The examiners are now rightly devoting some attention to questions involving a knowledge of Cost Accounts, and if such a student will, in the first place, apply himself to Appendix B, he will find a brief explanation of a costing system which dovetails into the financial records, and will serve him as a groundwork, not only for the examination, but for the general matter in this book and others dealing with Cost Accounts.

JOHN A. WALBANK.

34 Grey Street,
Newcastle-upon-Tyne.

15th January 1913.

BUILDERS' ACCOUNTS.

EVERY system of accounting, while having one main object in view, incorporates some particular rule or rules in attaining that object.

This special divergency may be brought about by a mere fad of a proprietor or bookkeeper. A simple though eloquent example of this can be seen by comparing the Cash Books of a number of concerns engaged in the same trade, in the same locality, and working under the same conditions. The privileged person who is able to inspect this one book as used by the different firms will find it very difficult to discover any two systems in which the cash transactions are recorded on identical lines.

On the other hand, the special form of accounts may be the result of necessity arising from the peculiar requirements of a certain business. Thus it is in the case of the accounts of a builder.

The special feature in this class of accounts is the position occupied by the Cost Books in recording the transactions. In all other businesses where Cost Accounts are introduced they are more or less subservient to the ordinary books of account. The Costing Accounts of a builder, however, take a prominent place in the financial records, and, indeed, form an integral part thereof. Without his Cost Accounts a builder is lost; but this is the case, though not in such a marked degree, with

many other businesses. It is in the necessity for the introduction of costing analysis into almost all the subsidiary books that this class of accounts stands pre-eminent.

The general principle to bear in mind is that accounts are opened in the Impersonal Ledger dealing in totals with the items posted in detail to the Contract, Jobbing, Stores, and Machinery and Plant Ledgers, and resolve themselves into Adjustment Accounts as found in self-balancing departmental Ledgers.

The books required are :—

Register of Tenders.
Purchase Journal.
Accounts Rendered Book.
Wages Book.
Contract Journal.
Bank Cash Book.
Petty Cash Book.
Sub-Wages Cash Books.
Bills Payable Book.
Transfer Journal.
Stores Issued Analysis Book.
Stores Returned Analysis Book.
Stores Ledger.
Machinery and Plant Journal and Ledger.
General Ledger.
Contract Ledger.
Jobbing Ledger.
Impersonal Ledger.
Private Ledger.
Order Books, &c.

THE REGISTER OF TENDERS.

This book demands first attention, not only on account of its importance, but, further, because it may be said to be the "book of first entry."

The first section (*pro formâ* p. 5) will be filled up, when the tender is sent in, from the various estimates and calculations. As the builder, in arriving at the amount for which he is prepared to execute the work, lumps the various expenses and profit together at one inclusive price under the different heads given in the architect's specification, it is necessary to split up this price over the various heads given in the Register. Suppose that the specification requires 900 square yards of brickwork, and that the builder is willing to do this at 6s. per square yard, he will instruct the clerk in charge of the Register to divide the 6s. (say) thus :—

Wages	at 2s. 6d. per square yard.
Material	„ 3s. 2d. „
Establishment Charges	„ 3d. „
Profit of	„ 1d. „
	<hr/>
	6s. 0d.

The Establishment Charges will be such percentage on the estimated wages bill as past experience has proved to be adequate (see later under Balance Sheet, &c.—Establishment Charges, p. 51). Some builders prefer to base this calculation on the total estimated cost, while others arrive at the amount from the number of hours the workmen are expected to spend on the work. The objection to the "total cost" system is its unfairness to a contract involving large expenditure on costly materials, for it cannot be correct to make such a contract bear a larger proportion of the Establishment Charges than another involving the same expenditure of time, and similar in all respects, except in the matter of the value of the material employed. The method of calculating this item on the "total

hours worked" is certainly more accurate than the "total wages bill," for the *time occupied*, and not the *amount paid*, is the true principle to work on. For practical purposes, however, it is much simpler to base the calculation on the latter item, while it will usually be found that the ratio of "total wages" to "total hours" fluctuates very little.

The "Result" column is filled in when the client's decision is notified.

Should the tender be unsuccessful, the name of the builder obtaining the work is entered, and in the remaining columns are shown the details of the successful tender. On the second line the difference is shown between the successful and unsuccessful tenders—in red ink where the successful is below the unsuccessful, in black ink in the other case. In the majority of cases it will only be possible to obtain the total amount of the successful tender, but when details are obtainable they are of great assistance for future guidance, and should be noted.

Should the tender be accepted this will be indicated, and a number entered in the column to the left of "Result." The accepted tenders will be numbered consecutively, and will carry such number and be known thereby throughout the books. Where a tender is accepted, the remaining portion of the book is left open until the work is completed, when the actual cost under the various heads will be filled in from the Contract Ledger (*vide* p. 34). Here again, immediately below the actual cost, is shown the under-estimate or over-estimate (in red or black ink, as the case may be) on each section of the work.

This book, when properly kept, is of great assistance to the proprietor, and shows—sometimes in sufficient detail without reference to the Contract Ledger—in what respects his tender has been faulty. A "Remarks" column is added, in which can be noted any matters explaining wide discrepancies between estimated and actual cost, or accounting for an unsuccessful tender.

REGISTER OF

No.	Date of Tender	Name of Architect	Name of Client	Particulars of Contract	Estimated Cost											
					Excavating	Bricklayers		Masons		Joiners		Plasterers		Sundries	Profit	Total
						Wages	Material	Wages	Material	Wages	Material	Wages	Material			
1	..	John Brown Jas. Groves	A.B. & Co.	Maitland &c. &c.	£ s d 230 0 0 2,981 0 0	£ s d 341 0 0 3,410 0 0	£ s d 545 0 0 545 0 0	£ s d 190 0 0 190 0 0	£ s d 660 0 0 1,500 0 0	£ s d 800 0 0 1,500 0 0	£ s d 1,400 0 0 1,400 0 0	£ s d 568 0 0 568 0 0	£ s d 1,200 0 0 1,200 0 0	£ s d 547 0 0 547 0 0	£ s d 11,000 0 0 11,000 0 0	£ s d 6,022 0 0 6,022 0 0

[Left-hand side]

TENDERS

No.	Result	Actual Cost												Remarks
		Excavating	Bricklayers		Masons		Joiners		Plasterers		Sundries	Profit (or Loss)	Total	
			Wages	Material	Wages	Material	Wages	Material	Wages	Material				
✓	Green & Co. ..	£ s d 650 0 0 1,431 0 0 150 0 0	£ s d .. 684 0 0 24 0 0	£ s d .. 215 0 0 23 0 0	£ s d .. 130 0 0 5 0 0	£ s d 798 0 0 38 0 0	£ s d 394 0 0 34 0 0	£ s d	£ s d	£ s d 1,083 0 0 117 0 0	£ s d 727 0 0 180 0 0	£ s d 9,500 0 0 6,022 0 0 341 0 0		
1	Accepted ..													

B

[Right-hand side]

THE PURCHASE JOURNAL.

Purchases of every description are passed through this book (*pro forma* p. 7), whether for plant, for material sent direct to the various contracts, or for goods received into store.

In the "Particulars" column, in addition to a description of the goods, is entered the number of the contract or jobbing work for which the purchase is made, or the particular branch of stores, or the name of any other account affected. The amount of each invoice is inserted in the "Total" column, any necessary details being shown in the column reserved for that purpose. The items are now extended into one or the other of the five columns shown on the right.

The "Total" column is posted in detail to the credit of the various Personal Accounts in the General Ledger. At the end of the month the additions of all columns are made and proved across. The totals of the Contract, Jobbing, Stores, and Machinery and Plant columns are now posted to the debit of the Contract (Work in Progress) Account, Jobbing (Work in Progress) Account, Stores Account, and Machinery and Plant Account respectively in the Impersonal Ledger. All items extended into the "Sundries" column will be posted in detail to the debit of the various accounts indicated in the second section of the "Particulars" column, as already explained. The postings will be made to the Private Ledger. An item likely to be found in this column would be the cost of a horse, say; this would be debited to the Horses, Carts, and Harness Account.

The debit and credit postings are now complete; but, in addition to this, the items in the Contract, Jobbing, Stores, and Machinery and Plant columns are debited in detail in their respective Ledgers. The contract or jobbing order numbers, or the class of stores or plant affected, are given in the second portion of the "Particulars" column, and Folio columns are provided for the subsidiary Ledgers.

PURCHASE JOURNAL.

Date	Name	Particulars	No. of Invoice	Folio	Detail	Total	Contract	Jobbing	Stores	Plant and Machinery	Sundries
					£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d
1913 June 1	Jas. Hall & Co., " Thomas Hepple 3 Johnson & Co., 5 T. R. Sharpe	Mahogany Plumbing Cement Bay Mare " Polly "	Timber A/c J. No. 81 C. No. " 82 Horses & Carts Har- ness A/c	37 35	.. .. .. ..	20 2 0 9 10 1 31 0 0 30 0 0	.. .. 51 0 0 ..	.. 9 10 1	20 2 0 312 0 3	.. .. .. ..	.. .. 30 0 0 58 0 0
					2,972 8 11	2,521 4 8	81 4 0	..	..	..	..

ACCOUNTS RENDERED BOOK.

This book corresponds with the Sales Journal of a trading concern. It is written up from the invoices before they are sent out, and is afterwards checked over with the press copies of such invoices as copied in the Press Copy Invoice Book.

In the case of contracts, the contract price is the amount entered, unless there have been "extras" on the original tender, in which case details thereof will be shown on the invoice, entered in the "Detail" column of the Accounts Rendered Book (*pro forma* p. 9), and the total extended into the "Total" column. Jobbing and stores invoices will be made up according to arrangement, the contractor generally taking the cost of the work and adding a percentage to cover Establishment Charges to leave a margin of profit.

In the "Particulars" column is entered the number of the contract or job, or the class of stores affected, with any description necessary. From the "Total" column the amounts are posted to the debit of the respective Personal Accounts in the General Ledger.

Each item is extended into either the Contracts, Jobbing, or Stores column. In the case of the first two of these columns no detail postings are made, but the items in the "Stores" column are credited in the Stores Ledger to the accounts indicated in the "Particulars" column.

At the end of the month the additions are made, and it is seen that the totals of the Contracts, Jobbing, and Stores columns agree with the grand total. These three totals are now posted to the credit of the Contracts (Finished Work) Account, the Jobbing (Finished Work) Account, and the Stores Account in the Impersonal Ledger.

ACCOUNTS RENDERED BOOK.

Date	Name	Particulars	Detail	Total	Contracts	Jobbing	Stores
			Folio	£ s d	£ s d	£ s d	Folio £ s d
1912. Nov. 2.	Armstrong & Co. ... J. D. Howman ... " Wantage & Williams	Contract No. 185—stables at ... Jobbing No. 81, repairs to house at ... Cement A/c—11 sacks at 42/- a ton	35 .. 37 ..	3,800 0 0 39 8 4 2 2 0	3,800 0 0	39 8 4	2 2 0
				£4,601 15 8	£4,511 3 9	£75 0 8	£15 11 3

THE WAGES BOOK.

A daily return (*pro formâ* p. 15) is made by the foreman in charge of each contract, showing the names of the workmen, the hours worked, the rate and the amount of the wages due each man. A separate sheet is used for each trade, and any sums advanced by the foreman on account of wages are indicated in the "Remarks" column. A Time Book should also be kept by the foreman, in order that he may have a record of the return he has sent to the office.

These sheets are handed to the clerk in charge of the Wages Book each morning, and from them he enters up that book (*pro formâ* p. 16).

Commencing with the number of the first contract, he specifies all the workmen employed there under their various trades (labourers being included with the trade they are assisting). He fills in the hours worked, and the rate, and enters—in the "Name" column—the sums each man has "sub'd" from his foreman. It is advisable to enter these items short in this way, as in many cases four or five "subs" are made in the week. When the week is completed (*i.e.*, on the Friday morning) the remaining columns of the book are filled in, and the whole completed.

The wages of the men employed about the premises, and on jobbing work, are made up rather differently. These wages—known as the "Home Sheet"—are entered last in the Wages Book, after each contract has been dealt with separately, and its total and the total of each trade extended into the "Total of each Contract" and the "Amount of each Trade" columns respectively. The "Home Sheet" is made up from the "boards" put in by the workmen, who indicate thereon the work on which they have been engaged. The clerk, in entering the Home Sheet section of the Wages Book, specifies these

various occupations under each man's name. The total is extended into the "Total of each Contract" column, but is not posted like the other amounts in this column (see later, and under Contract Journal, p. 17).

It is necessary to provide in the Wages Book for records of the national insurance contributions, and it will be noticed that this is one of the trades to which unemployment insurance applies. The normal rate of contribution is 1s. per week for each workman, of which 6½d. (4d. health and 2½d. unemployment) is paid by the workman, and 5½d. (3d. health and 2½d. unemployment) is paid by the employer. Accordingly, the gross wages must be increased by the employer's proportion of the national insurance, and with this object the column "Employer's Proportion of Insurance Stamps" is inserted. In this way the total cost to the employer for each workman is shown in the "Total Wages and Stamps" column.

The gross amount of each man's pay having been ascertained, the "Amount" column totalled, and the total of the "Employee's Proportion of Insurance Stamps" column deducted therefrom, the resulting figure is the amount for which the wages cheque is drawn. This will be entered in the Bank Cash Book (p. 19), and posted to the debit of Wages Account in the Impersonal Ledger.

It will usually be found desirable to keep a stock of insurance stamps in hand. Accordingly (say) £25 of these stamps will be purchased at a time, and debited from the Bank Cash Book to a "National Insurance Stamps Account." Each week the required number of stamps will be taken from stock and attached to the workmen's cards; and a Journal entry will be passed debiting "Wages Account" and crediting "National Insurance Stamps Account" in the Impersonal Ledger with the total stamps used for the week. For the

week given in the *pro forma* Wages Book on p. 16 the amount will be £10 15s., being the total of the two columns "Employer's Proportion of Insurance Stamps" and "Employee's Proportion of Insurance Stamps."

The "Deductions" are next filled in, the "Subs" being the totals of the amounts already entered short in the "Name" column. The "Employee's Proportion of Insurance Stamps" has already been explained, and any further deductions will also be entered. In the *pro forma* Wages Book given, deductions are made for the benefit of the local hospital.

These items being settled, the net amount due each man is shown and put up for him separately. The various sums for the different contracts are now parcelled up separately and sent to the responsible foremen. In addition to the net sums due his men, each foreman will receive an amount reimbursing him for the sums advanced by him during the past week, as shown by the "Subs" column, applicable to his particular contract.

The "Home Sheet" men will be paid by the cashier, who will also receive and pay to bank the total of the "Hospital Deduction" column.

Section 94 of the National Insurance Act, 1911, provides for a refund of a part of the (unemployment) contributions paid by an employer in the case of workmen continuously employed. The section requires the employer to apply for a refund to the Board of Trade within one month after the termination of any calendar year or other prescribed period of twelve months. At least forty-five contributions must have been made in respect of each workman claimed on, and such workman must have been continuously in the employer's service throughout the

period. The amount refunded is one-third of the employer's contributions for such workmen.

In order to prepare this yearly claim for a refund, the last column in the Wages Book is inserted. This column is filled up by referring to the corresponding column in the previous week, and by increasing the previous numbers (against each workman's name) by "one" where necessary.

It will be observed that the *pro forma* Wages Book given on p. 16 is for the week ending the 12th December 1912, and the Insurance Act had then been in force for twenty-two weeks. Accordingly, the Wages Book shows that "John White" has had contributions paid in respect of him for every week since the Act became operative, and, if he continues so fully employed, at the end of the year Messrs. Scaffold, Plant & Co. will obtain a refund, in respect of this workman, of 3s. 7d., made up thus:—

$$\frac{1}{3} \text{ of } 52 \times 2\frac{1}{2}\text{d.} = 3\text{s. } 7\text{d.}$$

The smallest amount which an employer can claim for any one workman (though there will be cases where no claim can be made at all) is 3s. 1½d., thus:—

$$\frac{1}{3} \text{ of } 45 \times 2\frac{1}{2}\text{d.} = 3\text{s. } 1\frac{1}{2}\text{d.}$$

It has now been seen how the Wages Book is made up, the wages paid, and the total weekly wages debited from the Bank Cash Book to the Wages Account in the Impersonal Ledger. This is, however, only an intermediate account, and it is now proposed to show how the same is cleared.

Before doing so, however, it will be advisable to explain the use of the "Establishment Charges" column. There are necessarily certain expenses incurred by a builder which cannot be charged direct to any specific contract, and yet each contract

must bear its proportion of these outgoings. These proportions are arrived at by a percentage, in some cases the calculation being made on the total cost of the work done, in others on the time spent, and in others on the wages bill. The advantages and disadvantages of the various methods have already been discussed (under the Register of Tenders, p. 3), and from such it is submitted that the latter is the fairer basis to work on. With this object in view the "Establishment Charges" column is introduced into the Wages Book. The percentage is calculated on the wages for each contract, as shown in the "Total of each Contract" column. The amount is entered in one sum in the "Establishment Charges" column, and, on all the rates being worked out, the addition is made.

The "Establishment Charges" and the "Amount of each Trade" columns are debited in detail to the various contracts in the Contract Ledger, so far as they affect that Ledger—that is to say, all items, except the "Home Sheet," are thus dealt with. It is to be noted that it is the items in the "Amount of each Trade" column, and not the "Total of each Contract" column, which are posted. This is done in order that the wages spent on each class of workmen (for whom columns are provided in the Contract Ledger) may be shown.

The "Total of each Contract, &c.," column (being the total wages) and the "Establishment Charges" column are now analysed under the various heads indicated at the foot of the Wages Book (*vide* p. 16). The amounts shown as Contracts (Work in Progress) Account are the total wages and establishment charges respectively, less the totals of the "Home Sheet." The other two items ("Yard Wages Account" and "Sundries as per C. J.—") together make up the Home Sheet Wages and Establishment Charges respectively. All

wages (and the establishment charge percentage thereon) which cannot be allotted to a specific job are charged to Yard Wages Account; the balance is included in "Sundries," and is dealt with under the Contract Journal (p. 17). From these summaries postings are made, debiting Contracts (Work in Progress) Account and Yard Wages Account, and crediting Wages Account and Establishment Charges Account.

This sheet is to be made up *every night* and despatched by post to the office.
A separate sheet to be used for every trade.

FOREMAN'S DAILY RETURN of men employed on Contract No. 185.
Date 6th December 1912.

No.	Name	Hours	Rate	Amount	Remarks
			d	£ s d	
	<i>Bricklayers.</i>				
	John White	9	10	0 7 6	
	James Black	8½	10	0 6 8	
	&c.				
	<i>Do. Labourers.</i>				
	J. Green	7	6½	0 3 9½	rs. sub
	E. Brown	9	6½	0 4 10½	
	&c.				
	<i>Masons.</i>				
	&c. &c.				
	Joseph Sharp, Foreman	50s. per wk.		0 9 0	
	I certify the above to be correct. J. SHARP.			£8 9 3	35s. subs

WAGES BOOK.

Week Ending 12th December 1912.

No.	Name	Establish- ment Charges	Hours Worked							Rate	Amount	Employer's Proportion of Insurance of Stamps	Total Wages and Stamps	Contract Ledger Folio	Amount of each trade	Total of each Contract, &c.	Deductions			Employer's Proportion of Stamps	Net Wages Payable	No. of Insur- ance Contributions for year				
			Friday	Saturday	Sunday	Monday	Tuesday	Wednesday	Thursday								Total	£	s				d	£	s	d
	Contract No. 185, Bricklayers.	£ s d	9	5	9	9	9	9	50	10	2	1	8	£	s	d	£	s	d	£	s	d	£	s	d	
1	John White, Jos.	..	54	5	9	9	9	9	40	10	2	1	8	£	s	d	£	s	d	£	s	d	£	s	d	22
2	Jas. Black	..	..	..	..	..	..	..	20	10	2	1	8	£	s	d	£	s	d	£	s	d	£	s	d	22
8	J. Green, rs. 6d.	..	..	..	..	..	..	..	38	&c.	&c.	&c.	&c.	£	s	d	£	s	d	£	s	d	£	s	d	22
9	28s. 5s.	..	7	3	3	9	9	9	40	6	1	1	8	£	s	d	£	s	d	£	s	d	£	s	d	20
9	E. Brown	..	9	5	9	9	9	9	50	..	1	7	1	£	s	d	£	s	d	£	s	d	£	s	d	20
&c.	&c. ..	..	..	..	..	..	..	..	..	&c.	&c.	&c.	&c.	£	s	d	£	s	d	£	s	d	£	s	d	..
	Masons.	..	..	..	..	..	..	..	..	..	..	..	..	£	s	d	£	s	d	£	s	d	£	s	d	..
	Joiners.	..	..	..	..	..	..	..	..	..	..	..	..	£	s	d	£	s	d	£	s	d	£	s	d	..
	Contract No.	£32	10	1	..	..	..	..	..	£	320	2	8	£	320	2	8	£	320	2	8	£	320	2	8	..
	&c. ..	..	..	..	..	..	..	..	..	..	..	..	..	£	s	d	£	s	d	£	s	d	£	s	d	..
	Contract No.	£32	10	1	..	..	..	..	..	£	320	2	8	£	320	2	8	£	320	2	8	£	320	2	8	..
	Contracts (W-in- P) Ac.	29	11	11	..	..	..	..	..	£	325	1	3	£	325	1	3	£	325	1	3	£	325	1	3	..
	Yard Wages Ac/c	0	14	4	..	..	..	..	..	£	325	1	3	£	325	1	3	£	325	1	3	£	325	1	3	..
	Sundries per Con- tract Journal	2	3	10	..	..	..	..	..	£	325	1	3	£	325	1	3	£	325	1	3	£	325	1	3	..
	Contract Journal	..	..	..	..	..	..	..	..	£	325	1	3	£	325	1	3	£	325	1	3	£	325	1	3	..

THE CONTRACT JOURNAL.

This book (*pro formâ* p. 18) is used to relieve the Wages Book of the mass of detail attached to the analysis of the "Home Sheet."

In the first section of the "Particulars" column are entered the jobbing numbers (or in a few cases the contract numbers) given to the work on which the wages contained in the "Home Sheet" have been spent. The workmen's names are given in the second section of this column. The details of the wages and establishment charges are entered in their proper columns, and the total to be debited to each job is shown in the "Contract" or "Jobbing" column, as the case may be.

When the whole of the "Home Sheet"—with the exception of the yard wages—has been entered, the additions are made, when the total of the "Wages" and "Establishment Charges" columns should agree with the total of the "Contracts" and "Jobbing" columns. Further, the total of the "Wages" column and the "Establishment Charges" column must agree with the respective amounts shown in the summary in the Wages Book for the corresponding week.

The items in the "Contracts" and "Jobbing" columns are debited in detail to the Contracts and Jobbing Ledgers, and in total to the Contracts (Work in Progress) Account and the Jobbing (Work in Progress) Account in the Impersonal Ledger. The corresponding credit to Wages Account has already been passed through the summary at the foot of the Wages Book.

CONTRACT JOURNAL.

Date	Particulars	Hours Worked							No.	Rate	Amount	Employer's Proportion of Insurance Stamps	Wages (and Stamps)	Establishment Charges	Folio	Contracts	Jobbing
		Friday	Saturday	Monday	Tuesday	Wednesday	Thursday	Total									
1912 Dec. 14	Jobbing No. 81 Robert Fisher, Joiner James Dick, Joiner .. &c.	9	5	8	—	—	—	22	173	10d.	0 18 4	0 0 2½	0 18 6½				
		9	5	9	0	4	—	36	174	"	1 10 0	0 0 4	1 10 4				
					&c.								&c.				
	Jobbing No.— &c.												£5 1 10	0 10 2 37		..	5 12 0
													&c.	&c.		&c.	&c.
													£21 18 4	£2 3 10		£1 4 0	£22 18 2

BANK CASH BOOK.

The Cash Book presents no exceptional features (*pro forma* p. 21). The various other subsidiary books are so arranged as to avoid double postings from the Cash Book. Accordingly, all items in this book are posted either to the General, Impersonal, or Private Ledgers, and in no case to the Contract, Jobbing, Stores, or Machinery and Plant Ledgers.

It will be noticed that the *pro forma* ruling given is a form for a Bank Cash Book, no cash payments being provided for. All such payments will be dealt with through the Petty Cash Book, which will be kept on the Imprest System (*vide* p. 22). A column is provided for Bills Payable, thus minimising the labour of posting by allowing this account to be dealt with in total.

Cash received will be banked daily, the various items making up the total being entered in the "Detail" column on the debit side of the Cash Book. Discounts allowed will be shown in the first column. The postings to the credit of the Personal Accounts will be made from the "Discount" and "Detail" columns.

As regards the payments, the same procedure is followed. Bills payable when met are credited in the "Bank" column, and extended into the "Bills Payable" column.

At the end of the month the additions are made, and the bank balance carried forward to the next month. The totals of the "Discount" and "Bills Payable" columns are posted to their various accounts in the Impersonal Ledger. The debit "Discount" column is debited, and the credit "Discount" column is credited, while the "Bills Payable" total is debited, to their respective accounts.

TTY CASH BOOK.

This book will be kept on the Imprest System. This method of recording petty cash transactions is not so well known as to make a brief outline thereof out of place.

In the first place, a cheque is drawn to cover the estimated weekly or monthly disbursements. This is credited in the Bank Cash Book, and debited in the Impersonal Ledger to Petty Cash Account. The petty cashier also debits himself with this amount in his Petty Cash Book (*pro formâ* p. 23). He records his expenses as they arise, extending the items into their appropriate columns. It will be noted that a column is provided for "Accounts." It will be a rule for the petty cashier to pay all Personal Accounts under £2, and such amounts are extended into this column. At the end of the week or month, as the case may be, the additions are made, proved across, and the balance brought down. The petty cashier now hands the cashier a summary of his expenses for the period. Such summary merely gives the totals of all the Analysis columns, with the exception of "Accounts," these are enumerated in detail. On this summary being passed, a cheque is drawn for the total and handed to the petty cashier, who debits himself with the amount, and thus commences the next period with the original amount of cash. The summary is also copied into the Bank Cash Book, the details being entered in the "Detail" column, and the total amount of the cheque extended to the "Bank" column. From the details thus given postings are made to the debit of the accounts concerned in the Impersonal and General Ledgers.

PETTY CASH BOOK.												Cr.	
Dr.		C.B. Folio	Cash Received	Date	Particulars	Voucher No.	Total	Rem., Rates, and Taxes,	Travelling Expenses	Subscriptions and Gratuities	Stamps and Telegrams	Incidental Charges	Accounts
			£ s d				£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d
1912 May 1	✓		5 11 9	1912 May 1	To Balance	..	0 5 3	..	0 5 3	..	1 0 0	0 2 3	1 15 11
" "			19 8 3	" "	By " J. Expenses to " North Eastern Ry " John Brown & Co. Account	..	0 2 3	..	..	..	..	..
						..	1 15 11	..	..	..	..	..
				31	" Balance .. ..	..	4 13 0	..					
			25 0 0				25 0 0	..	3 5 10	0 15 0	5 10 0	4 18 1	5 18 1
June 1	✓		4 13 0										
" "			20 7 0		To Balance .. ..	..						

SUB-WAGES CASH BOOK.

The advancing of money to workmen on account of their wages is a practice which seems to be more in vogue in the case of builders than in any other business. It is a custom which causes a considerable amount of extra clerical labour, especially in the preparation of the Wages Book, but, apparently, it is an evil which cannot be stopped under existing conditions.

The matter is of sufficient importance to warrant the keeping of a separate Cash Book to record advances made and the repayment of same. The book employed will be a simple debit and credit Cash Book.

The foreman on each contract, as well as the cashier, will each keep one of these books. Originally a cheque is drawn to cover a week's "subs" for the particular set of men, and handed to the foreman or cashier. With this amount the responsible party debits himself in his Sub-Wages Cash Book, crediting himself from day to day with the sums advanced. In the case of foremen, the office is advised daily of advances made (*vide* Foreman's Daily Return, p. 15). When the wages are made up these advances are taken into account in arriving at the net sum due each man (*vide* Wages Book, p. 10), and the sums so deducted are handed to the foreman or cashier concerned, who debits himself with the amount and brings down his balance. This balance must agree with the sum he originally received. Sometimes it will be necessary to advance a further amount to the foreman, as when the workmen under him are increased; on the other hand, the foreman may return a portion of his cash to the office. In either case he debits or credits himself accordingly, and corresponding entries are made in the Bank Cash Book. The Cashier's Sub-Wages Cash Book records the advance and return of the yard and jobbing wages.

Accounts are opened in the Impersonal Ledger called "Mr. ———, Sub-Wages Account." Postings are made to these accounts from the Bank Cash Book, showing the various sums handed to the different foremen, and any amounts returned by them. The particular foreman to whom the cheque is given should be indicated, so that it may be easily seen in whose hands the money outstanding on these accounts really is.

BILLS PAYABLE BOOK.

This book does not call for special comment. A *pro forma* is given at page 26. The Personal Accounts are debited as indicated, and the totals of the bills given are periodically credited to Bills Payable Account in the Impersonal Ledger.

As it is only in exceptional cases that bills are *received* by a builder, it is not necessary to keep a Bills Receivable Book. On the rare occasions when bills are taken they will be treated as cheques.

BILLS PAYABLE BOOK.

No. of Bill	Date Accepted	Drawer	To Whom Payable	On Whose Account	Date of Bill	Term	When Due	Folio	Amount	Remarks
							January		£ s d	
							February			
							March			
							April			
							May			
							June			
							July			
							August			
							September			
							October			
							November			
							December			

STORES ISSUED ANALYSIS BOOK.

When stores are required for any particular work application is made at the office, and an order is made out and signed by a responsible person. Manifold Order Books will be kept for the purpose, and it is advisable in some cases to keep different books made of differently coloured paper for contracts, jobbing, and cash sales. The order, when signed, is torn out, and handed to the storekeeper as his authority to deliver the goods; the counterfoil is retained by the office. The leaves are numbered in rotation, and the order will show the number of the contract or jobbing order to be charged, or will be marked "cash sale," in the event of its being such. In the case of contract or jobbing orders the cost price will be shown; the amount shown on a cash sale order, however, will be the sale price.

From the counterfoils the Stores Issued Analysis Book (*pro formâ* p. 29) is written up. Each month's issue of stores is dealt with, totalled up, and posted separately. The numbers given to the contracts, &c., in progress during the month are entered at the head of the various columns on the left-hand side of the book. The Order Book counterfoil folio is entered in the inner column shown, and the cost of the stores is entered in the Amount column, and, in the case of contracts and jobbing, extended into the "Contracts Total" or "Jobbing Total" columns.

On the right-hand side of the book the same amount is entered in the column provided for the particular branch of stores affected. The amount is also extended into the Grand Total column shown in the centre of the page. It is advisable to enter one amount on each line; and though more space will in this way be required, it is well worth it, as each entry can be read across at a glance, and the danger of errors is reduced.

When the book has thus been proved across, the totals of the different Detail Contract and Jobbing columns are posted to the debit of their various accounts (indicated at the head of the column) in the Contract and Jobbing Ledgers. The totals of the columns on the right-hand side of the book are credited in the Stores Ledger to the various accounts enumerated at the head of the columns.

This detail work being completed, the following postings are made in the Impersonal Ledger :—The totals given by the “ Contract Total ” column, the “ Jobbing Total ” column, and the “ Cash Sales ” column are debited to Contracts (Work in Progress) Account, Jobbing (Work in Progress) Account, and Cash Sales Account respectively, while the grand total is credited to Stores Account.

STORES ISSUED

[illegible]

ANALYSIS BOOK, June 1912.

[Right-hand side.]

[illegible]

STORES LEDGER.

This Ledger supplies the details of the Stores Account in the Impersonal Ledger, and the total of the balances of the accounts in this Ledger should at any given date agree with the balance of the Stores Account. The various accounts opened in this Ledger will vary according to circumstances, the idea being to so classify the stores under separate heads as to enable a discrepancy in this department to be located and traced. The postings are made from the "Stores" column in the Purchase Journal, Accounts Rendered Book, Stores Issued Analysis Book, and Stores Returned Analysis Book, as previously explained (pp. 6, 8, 27, 30). At the end of the year further entries are made, through the Transfer Journal, to agree the various items with the actual stores on hand as shown by the stock-taking (*vide* Journal entry V, p. 46). This difference between the Stores Ledger figures and the actual stores on hand is accounted for by wastage and outside sales. As these outside sales are credited at selling prices, it is necessary to make an adjusting entry for the profit, but the matter is fully dealt with under the Impersonal Ledger—Stores Account (p. 42).

MACHINERY AND PLANT JOURNAL AND LEDGER.

The object of these books is to show where the various items of plant are lying at any given time. The Ledger is divided into two parts. The first section contains appropriate accounts, under which the various items of plant are classified thus:—Pug Mill Account, Cranes Account, Scaffolding Account, &c. In the second section accounts are opened for each contract, &c. (indicated by its number), on which plant is being used.

The two books are complete in themselves—that is to say, all postings from the Machinery and Plant Journal will be made in the Machinery and Plant Ledger. When plant is first acquired the item will be posted from the Purchase Journal, and, in the case of a sale, the amount will come through the Transfer Journal, but otherwise all items will come from the Machinery and Plant Journal. Order books will again be used, authorising the transfer of plant from one job to another, or back to, or to be taken from, the yard. From the counterfoils of these Order Books the Journal entries are made. An ordinary Transfer Journal and Ledger are sufficient to meet the case.

At the end of the year the balances in this Ledger are extracted, and the total thereof must agree with the balance of the Machinery and Plant Account in the Impersonal Ledger.

THE GENERAL LEDGER.

The General Ledger can be dismissed with very few remarks. In it are contained the Personal Accounts—debtors and creditors. The credits will come either from the Purchase Journal or the Bank Cash Book, and the debits from the Accounts Rendered Book, Bank Cash Book, or Bills Payable Book.

It may be mentioned here that a peculiarity of the accounts in this Ledger is the large number of cash debtors and creditors. This is accounted for by the trade custom of making payments on account of work done before such work is actually completed, and accordingly before the corresponding debit or credit has been passed. Where the payment has been made to the builder in accordance with the architect's certificate for work done on account of a contract, no difficulty arises in dealing with the matter. These "cash creditors" balances are separately extracted at the end of the year, and deducted in

the Balance Sheet (*vide* p. 56) from the work in progress. On no account must they be shown as "sundry creditors." Where, however, the payment has been made *by* the builder to a sub-contractor on account of work he has done, more care is necessary. In such a case it must be seen that either an invoice is passed through the Purchase Journal for the work done, or that an adequate provision is made for the unascertained amount outstanding at the end of the year. Where such provision is made, the cash paid on account will be deducted from the provision on the Balance Sheet, and the balance extended as the liability. If, however, invoices have been passed (as is assumed in the case of Messrs. Scaffold, Plant & Co., whose Balance Sheet is given at p. 54), the various balances will be included among "Creditors on open accounts."

THE CONTRACT LEDGER.

A form of ruling for this book is given at p. 37. This, however, is by no means the only form of Contract Ledger in use in the trade. Thus, in some cases, instead of the analysis here given, showing the wages and material for the various trades, the whole of each item is shown in one column. In other instances it will be found that columns are added for painters, &c., while in others the Contract Ledger is adapted to show the plant, &c., on each particular work. Speaking generally, however, it will be found that the form on p. 37 is most convenient in the majority of cases.

The chief reason for having only one column for wages and one for materials, instead of classifying these items under the various trades, seems to be the saving of clerical labour. While admitting that the labour of keeping the Ledger here recom-

mended is slightly greater, it is contended that the extra information which may be obtained therefrom more than compensates for the increased clerking.

On the other hand, the Contract Ledger, which includes columns for trades not mentioned in the *pro formâ* here given, seems to go to the other extreme and furnish unnecessary information. The majority of builders are in the habit of sub-letting certain sections of their work, the trades most frequently sub-let being painting and plumbing. Now, when this is done, the whole of the cost of that particular class of work on the contract will be debited in one amount from the Purchase Journal, and (in the *pro formâ* given) will be included in the "Sundries" column. Accordingly, were a column inserted for (say) "Painters," it would contain only the one item, and thus the analysis of the Ledger would be elaborated without any practical advantage.

As regards the third case mentioned, where debit and credit columns are inserted for plant, &c., received and returned from the contract, all the information furnished by such columns will be found in the Machinery and Plant Ledger (*vide* p. 32).

The number of each contract is fixed on the notification of the acceptance of a tender, and is recorded in the Register of Tenders (*vide* p. 3). This number is entered at the head of the page in the Contract Ledger, together with a description of the work. The contract price is also noted, as indicated, to the right of the contract number.

The postings to this Ledger are made from the Purchase Journal, Wages Book, Contract Journal, Stores Issued Analysis Book, and Stores Returned Analysis Book. Material sent direct to the work will come through the Purchase Journal; material received out of stock will come through the Stores Issued Analysis Book. The wages will be posted chiefly from the

Wages Book, though an occasional item will come through the Contract Journal. The same remark applies to the items appearing in the "Excavating" column. The "Sundries" column will contain such items as Establishment Charges and the cost of sub-contracts. The Establishment Charges will come either from the Wages Book or the Contract Journal, generally the former. The price agreed for the sub-contracts will come through the Purchase Journal.

Comparatively few credits will appear in the Contract Ledger, these only occurring when materials are sent on to another contract, or where an amount has been debited to the wrong contract. There is, however, the final credit closing the account, which comes through the Transfer Journal. These transfers are all made together at the end of the year. A *pro forma* of the Journal entry (VI) is given at p. 46.

It is advisable in dealing with the "Extras" incurred on many contracts to open a separate heading styled—"Contract No. — (Extras Account)." Unless this is done, difficulties will arise in making out the claim for "extras," which is, of course, payable in addition to the contract price.

On the whole work being completed, the Summary at the head of the account is filled in. The contract price is already stated, the amount for extras will be settled, and when the total cost (including cost of extras) is deducted, the profit or loss is shown.

At the end of the financial year, after all adjusting entries have been passed, the amounts standing on the various contracts in progress are shown in red ink in the Ledger, and the total of these must agree with the balance shown on the Contracts (Work in Progress) Account in the Impersonal Ledger.

CONTRACT LEDGER
STABLES AT.....

Contract No. 185

[illegible]

THE JOBBING LEDGER.

The accounts in this Ledger do not require analysing to the same extent as those in the Contract Ledger. The wages are all shown in one column, also the material (*vide* p. 39). The reason for this is the smaller number of items in each account, and the different result for which the Ledger is kept. Thus, in the majority of cases, the wages will all be incurred on one trade, while the amount of material used is small, and generally taken out of stock. Again, the main object in view in keeping a Jobbing Ledger is to have the details of the cost in a convenient form to assist in making out the invoice and the price charged therein, and not for guidance in future tenders. In addition to the ordinary index at the commencement of the Ledger, a record is kept of the various jobbing work. The various jobs are numbered in rotation, and such number is entered at the head of the account in the Ledger.

The debit for wages will come from the Contract Journal, as will the amount for Establishment Charges. The latter item appears in the "Sundries" column. Materials will generally come through the Stores Issued Analysis Book, though in a few cases goods will go direct to a job, in which case the debit will come through the Purchase Journal.

Credits will seldom appear in this Ledger, except the credit closing the account, the mode of dealing with which is similar to the closing entries in the Contract Ledger, and is explained by *pro formá* Journal entry VII (p. 47).

The work being completed, and the price fixed, the Summary to the right of the jobbing number is filled in.

The balances in this Ledger are extracted at the end of the financial period, and the total of same must equal the balance shown by the Impersonal Ledger on Jobbing (Work in Progress) Account.

Date	Folio	Particulars	Sundries	Wages	Material	Total	Date	Particulars	Folio	Credit
1912 June 1		To Thomas Hepple—Plumb- ing.....	£ s d 9 10 1	£ s d	£ s d	£ s d 9 10 1	1912 Dec. 31	By Transfer .. J		£ s d 35 18 11
14		" Establishment and Wages	0 10 2	5 1 10	.. ..	5 12 0				
			£ 11 4 0	£ 13 15 0	£ 10 19 11	£ 35 18 11				£ 35 18 11

THE IMPERSONAL LEDGER.

The accounts in this Ledger next require describing. The various books from which the postings are made have already been dealt with. The closing entries, however, remain to be enumerated, and *pro formâs* of same are given at p. 46, and explained as they arise in the following accounts.

Contracts (Work in Progress) Account.—

The debits to this account come through the Purchase Journal, Wages Book, Contract Journal, Stores Issued Analysis Book, and Stores Returned Analysis Book, while the credits are posted from the Stores Returned Analysis Book and the Transfer Journal. At the close of the year the balances are extracted in the Contract Ledger. These are examined, and all accounts representing contracts which have been completed are classed together, and an entry passed as shown in *pro formâ* Journal entry VI. As will be seen from this entry, the total of these amounts (representing the actual cost of the contracts dealt with) is posted to the credit of the account now under discussion, and the details making this total are also credited to their respective accounts in the Contract Ledger. This is the final entry adjusting this account; and the debit balance, which may now be brought down, represents the amount spent on uncompleted contracts. This balance must agree with the total of the remaining balances in the Contract Ledger—*i.e.*, after the postings from Journal entry VI have been made to that Ledger.

Contracts (Finished Work) Account.—

The first entries (debit and credit) which will appear in this account are posted from the Transfer Journal (*pro formâ* entries I and II). These, as the narrative explains, are to adjust last year's provisions on unfinished work. The next postings on the credit side come through the Accounts Rendered

Book, and represent the total amount charged out for contracts during the year. The next debit comes from Journal entry VI, and shows the cost of the contracts already credited through the Accounts Rendered Book. Entries are now made (Journal entries IX and X) to adjust estimated profits and losses on uncompleted work at the close of the year. The necessity for, and the objections to, making these provisions are dealt with at p. 48. The balance now shown on this account represents the profit made on the contracts during the year, and is carried to the General Profit and Loss Account by means of Journal entry XII.

Jobbing (Work in Progress) Account.—

The postings to this account are made from the same subsidiary books as those to the Contracts (Work in Progress) Account. The amounts posted are the monthly, &c., totals of the Jobbing column of the afore-named books. As in the case of contracts, the balances in the Jobbing Ledger are extracted at the end of the year, and a Journal entry (VII) passed to clear the Ledger of completed work. As will be seen from this *pro formâ* Journal entry, the Jobbing (Work in Progress) Account is credited with the total of the various credits to the different accounts in the Jobbing Ledger. The balance on this account is now brought down, and represents the amount spent on uncompleted jobbing work at the end of the year. Such balance must, of course, agree with the total of the Jobbing Ledger balances after the postings from Journal entry VII have been made.

Jobbing (Finished Work) Account.—

The postings to this account come through the same books as do those to the Contracts (Finished Work) Account, the only difference being that the Jobbing column in such books is posted, not the Contract column. It is not necessary, however,

in this case to make provision for estimated profits or losses on unfinished work, as in the case of contracts (*vide* Journal entries I, II, IX, and X). The reason for this is that it is assumed in this instance that the outstanding jobbing work is small, and the necessity for a provision does not arise. Where, however, it is necessary to make a provision the entries are the same as in the case of contracts.

Stores Account.—

Here the debits are posted from the Purchase Journal and the Stores Returned Analysis Book, while the credits come through the Accounts Rendered Book and the Stores Issued Analysis Book. At the close of the year stock is taken, and Stock Sheets are prepared to show the stores on hand under the various heads enumerated in the Stores Ledger (*vide* p. 32). The Stores Ledger balances are also extracted, and any difference between the balances of the various accounts and the actual stock on hand of that particular class of goods is written off to General Profit and Loss Account, as shown in Journal entry V. In this particular case a profit has been made on the whole; the manner in which such is made up is shown on the entry above mentioned. Accordingly, Stores Account is debited with this profit, as shown in the *pro formâ* entry. The balance on this account is now brought down, and will agree with the total of the Stock Sheets, and also with the total of the balances now standing in the Stores Ledger.

Machinery and Plant Account.—

This account contains very little detail. The items to the debit come from the Purchase Journal, and the credits (if any) from the Transfer Journal. The only case in which a credit will arise is where some portion of the plant, &c., has been sold. In such an event, Journal entry IV illustrates the method of dealing with the transaction. In the instance given, "Pug

Mill Account" in the Machinery and Plant Ledger is credited, as well as the Machinery and Plant Account in the Impersonal Ledger. The balance of the Machinery and Plant Account at the end of the year must correspond with the total of the balances of the Machinery and Plant Ledger. It will be noted that no credit is passed in this account for Depreciation. Instead of doing this a Provision (for Depreciation on Machinery and Plant) Account is kept (*vide* Journal entry VIII). In this way the complication of entries which would arise in allocating the yearly depreciation over the items in the Machinery and Plant Ledger is avoided.

Wages Account.—

This is merely an intermediate account, and accordingly will show no balance at the end of the year. The total of the wages cheque each week is debited from the Bank Cash Book, while the value of the insurance stamps used each week is also debited to this account by means of a Journal entry, as explained at page 11, and the account is cleared by a credit from the Wages Book. The necessity for making a provision for accrued wages at the end of the year, and the confusion of entries thereby entailed in distributing such provision over the various contracts, &c., may also be avoided by a little manipulation in this account. Take the year to end, as in the *pro formâ* Balance Sheet given at p. 56, on a Tuesday, and suppose the wages are made up to the Thursday night. Now, the wages for the week ending 2nd January 1913 must be apportioned, and a credit passed through the Bank Cash Book for the three and a-half days to the 31st December 1912, and posted to the debit of the Wages Account. This item is cleared as before through the Wages Book. The balance of the wages cheque for the week ending the 2nd January 1913 is entered in the Bank Cash Book when the cheque is actually drawn on the following Saturday. The amount entered as at 31st December 1912 is, of

course, only a book entry, and though it will be included in the bank reconciliation as an unpresented cheque, yet no such cheque is drawn. The only difference as regards the Wages Book is that this particular week's entries are split into two sections, the first of which, dealing with the accrued liability up to the 31st December 1912, is posted to the credit of the Wages Account, and so clears this account. The various details of the first portion of this week's wages are debited to the different contracts, &c. The balance of the week's wages comes into the next year's accounts in the usual way.

The Yard Wages Account

shows the wages paid to men not directly engaged on contract or jobbing work. The postings to the debit come through the Wages Book, and the account is closed by a transfer to the General Profit and Loss Account (*vide* Journal entry XIII).

Establishment Charges Account.—

From the Wages Book and Contract Journal credits are passed to this account. As previously explained (*vide* p. 13), this account is raised in order that each contract may bear its proper proportion of the general expenses of the business. At the end of the year the account is balanced by a transfer to the General Profit and Loss Account (*vide* Journal entry XII).

Cash Sales Account.—

No balance will remain on this account at the close of the year; the account is opened in order that the sales may be credited to the proper accounts in the Stores Ledger. The debits come from the Accounts Rendered Book and the Stores Issued Analysis Book, and the credit items are posted from the Bank Cash Book.

Bills Payable Account.—

The balance here must agree with the total bills not yet matured, as shown by the Bills Payable Book. The postings are made from the Bills Payable Book as regards the credits, and the Bank Cash Book for the debits (Bills Payable column—monthly totals).

Sub-Wages Accounts.—

These accounts show the various sums held by different foremen, &c., to advance to the workmen on account of their wages. Separate accounts are opened for each responsible party, and all postings are made from the Bank Cash Book. The method of dealing with sub-wages has already been explained (p. 24).

The other accounts in this Ledger do not call for special comment. Among them will be found:—Petty Cash Account, Hospital Fund Account, Discount Account, Salaries Account, Rent, Rates, and Taxes Account, Travelling Expenses Account, &c. In some instances it may be necessary to make a provision for accrued liabilities under one or the other of these heads. Journal entries III and XI illustrate the mode of dealing with such a case.

JOURNAL ENTRIES.

		£ s d	£ s d
1912			
Jan. 1	Contracts (Finished Work) Account.. Dr.	1,350 0 0	
	To Provision (for profits and losses on Uncompleted Contracts) Account ..		1,350 0 0
I.	Being provision, for estimated profits on contracts in progress at this date, written back.		
..	Provision (for profits and losses on Uncompleted Contracts) Account .. Dr.	400 0 0	
II.	To Contracts (Finished Work) Account ..		400 0 0
	Being provision, for estimated losses on contracts in progress at this date, written back.		
..	Provision (for accrued liabilities) Account Dr.	100 0 0	
III.	To Sundries: - Rent, Rates, and Taxes Account &c.		40 0 0
	Being provision, for outstandings at this date, written back.		
May 17	A Personal Account Dr.	50 0 0	
IV.	To Machinery and Plant Account ..		50 0 0
	For following item sold this day:— Pug Mill.		
Dec. 31	Stores Account Dr.	84 0 0	
	To Profit and Loss Account		84 0 0
	Being profit on Stores during year, made up as follows, now transferred:— Profits: Timber Account	95 0 0	
V.	&c.		
	Losses: Cement Account		15 0 0
	&c.		
	Balance as above.. .. .		84 0 0
		£352 0 0	£352 0 0
..	Contracts (Finished Work) Account.. Dr.	39 910 0 0	
	To Contracts (Work in Progress) Account ..		39,910 0 0
VI.	Being cost of contracts completed this year, now transferred:— Contract No. 153		4,185 12 2
	.. .. . (Extras Account)		124 8 1
	.. .. . 154		1,319 5 7
	.. .. . 157		2,184 19 10
	.. .. . 162		511 3 5
	&c.		&c.

JOURNAL ENTRIES—(continued).

		£ s d	£ s d
1912			
Dec. 31	Jobbing (Finished Work) Account .. Dr.	880 0 0	
	To Jobbing (Work in Progress) Account ..		880 0 0
VII.	Being cost of jobs completed this year, now transferred:— Jobbing Order No. 83		14 9 1
	.. .. . 84		54 13 9
	.. .. . 85		23 11 8
	&c.		&c.
..	Depreciation Account Dr.	152 0 0	
VIII.	To Horses, Carts, and Harness Account (being 15% on £200 for 1 year)		30 0 0
	To Provision (for Depreciation on Machinery and Plant) Account .. (being 10% on £1,229 for 1 year)		122 0 0
..	Provision (for Profits and Losses on Uncompleted Contracts) Account .. Dr.	1,536 0 0	
IX.	To Contracts (Finished Work) Account ..		1,536 0 0
	Being estimated profit on uncompleted contracts at this date, on measuring up, made up thus:— On Contract No. 155, £511		
	.. .. . 168, £680		
	.. .. . 183, £345		
..	Contracts (Finished Work) Account.. Dr.	500 0 0	
X.	To Provision (for Profits and Losses on Uncompleted Contracts) Account..		500 0 0
	Being estimated loss on uncompleted contracts at this date, on measuring up, made up thus:— On Contract No. 159, £250.		
	.. .. . 161, £100.		
	.. .. . 174, £150.		
..	Sundries Dr.		
XI.	To Provision (for accrued Liabilities) A/c For outstanding liabilities at this date, viz:— Rent, Rates, and Taxes Account ..	45 0 0	
	&c.		
..	Sundries Dr.		
XII.	To General Profit and Loss Account ..		4 824 0 0
	Contracts (Finished Work) Account..	2,886 0 0	
	Jobbing Account..	133 0 0	
	Establishment Charges Account ..	1,690 0 0	
	Discounts Account	115 0 0	
..	General Profit and Loss Account .. Dr.	2,395 0 0	
XIII.	To Sundries		
	Salaries		520 0 0
	Rent, Rates, and Taxes		270 0 0
	&c.		&c.

PRIVATE LEDGER.

This Ledger does not call for special comment. The accounts opened therein will be the usual private accounts—such as Capital and Drawing Accounts, the various Provision Accounts, &c.

BALANCE SHEET AND PROFIT AND LOSS ACCOUNTS.

At the close of the year the Ledger balances are extracted, and a Trial Balance prepared in the usual way. From this the Balance Sheet and Profit and Loss Accounts are drawn up (*pro formâs* pp. 53 to 56). In addition to the General Trial Balance, it is necessary to extract the balances in the Contract, Jobbing, Stores, and Machinery and Plant Ledgers. The total of the balances in each of these Ledgers must agree with the balance on the Contracts (Work in Progress) Account, Jobbing (Work in Progress) Account, Stores Account, and Machinery and Plant Account respectively.

It will be noted that the Profit and Loss Accounts are three in number. The items in the last of these accounts are obtained from the Trial Balance, but the first two accounts need more explanation.

The "Contracts" Profit and Loss Account

is divided into two parts, the first section showing the profit or loss on the completed contracts, the last portion dealing with the estimated profit or loss on unfinished work. It is essential in dealing with this class of accounts that these estimates should be made. Generally speaking, it is not advisable to take credit for prospective profits on work in progress, but in the case of builders the results shown would be considerably distorted were

these provisions not made. It is, therefore, not only permissible, but absolutely essential, that the builder should take credit for profits fairly shown on a correct measuring up. Were this not done, the profits or losses of one year would be unfairly swollen to the detriment or advantage of another year.

This Profit and Loss Account is prepared from the Contract Ledger balances, and the Contract (Work in Progress) and the Contract (Finished Work) Accounts in the Impersonal Ledger.

The items forming the debit side of the first section of the account are given in Journal entry VI. This gives the total amount expended on these contracts, and the Contract Ledger gives the details for the inner columns, the first showing the amount expended in previous years, while the second gives the expenditure this year. The figures for the first column (Contract Price) on the credit side are also supplied by the Contract Ledger, and the total of this column must agree with the total amount credited to Contracts (Finished Work) Account from the Accounts Rendered Book. In the second column adjustments are made of last year's provisions for profits and losses on work then uncompleted. It is advisable in this column to show profits in black and losses in red ink. The details are furnished by Journal entries I and II, writing back last year's provisions. The third column is now filled up, the whole added and proved across in total, and the balance between the two sides (in this instance a profit) carried to the General Profit and Loss Account.

The debit side of the second section of the account is filled up from the same source of information as the first section—*i.e.*, the Contract Ledger. The "Total Cost of Work" column on the credit side is a repetition of the third column on the debit side. In the second column the adjustment of provisions for estimated profits and losses on work now in progress is brought

in (*vide* Journal entries IX and X) in black or red ink, as the case may be. The Total column is also completed and the whole proved across, and the balance shown between the two sides carried to the General Profit and Loss Account.

The accuracy of this account may now be proved, independently of the fact of the books balancing. It will be noticed that the first column on the debit side (Work in Progress at 1st January 1912) is continued through both sections of the account, and the total thus given must agree with the work in progress as shown by last year's Balance Sheet. The second column on the credit side can also be verified, for the total given by the first section of the account must agree with last year's "Provision for estimated profits and losses on uncompleted work," while the amount shown thereunder in the second section must correspond with this year's provision. Again, the first column on the credit side of the second section of the account (Total cost of work) is the balance of the Contracts (Work in Progress) Account, and the balances on the two sections of the account must together equal the profit and loss transfer closing the Contracts (Finished Work) Account (*vide* Journal entry XII).

The Jobbing Profit and Loss Account

is made up from similar sources to the account last dealt with, and the above explanation accordingly sufficiently states its mode of preparation. Many contractors, however, do not devote themselves so largely to jobbing work as to necessitate the making of provisions for profits or losses on outstanding work. Where this is the case, the second and third columns on the credit side of this account may be omitted, as in the *pro forma*

given at p. 54. The accuracy of the account may be proved in a similar manner to the Contracts Profit and Loss Account.

The General Profit and Loss Account

is prepared from the Trial Balance and the closing Journal entries. The account does not differ materially from the ordinary type of Profit and Loss Account, but perhaps attention may be drawn to one or two points.

The entry on the credit side of the first section of the account, "Establishment Charges (being the estimated amount thereof charged to the various contracts, now written back)," is an unusual item in an ordinary Profit and Loss Account. The entry, however, together with the previous remarks (pp. 3 and 13), sufficiently explains itself. It may be added, however, that these estimated charges should approximate to the actual establishment expenses of the concern as shown by the second section of this account, otherwise the rate of calculating the estimate needs revising.

The debit "Accountant's Charges," being the last item in the first portion of the Establishment Charges, is the amount which Messrs. Scaffold, Plant & Co. find beneficial to them to pay to Messrs. C. A. & Co., Chartered Accountants. For this sum Messrs. C. A. & Co. check and balance the ordinary books of account of the firm (Messrs. Scaffold, Plant & Co.'s bookkeeper having first reconciled the Contract, Jobbing, Stores, and Machinery and Plant Ledgers with the corresponding accounts in the Impersonal Ledger), make the closing entries, write up the Private Ledger and prepare the yearly Balance Sheet and Profit and Loss Accounts. In addition to this Messrs. C. A. &

"JOBGING" PROFIT AND LOSS ACCOUNT for year ending 31st December 1912.

FINISHED WORK	Work in Progress 1 Jan. 1912	Cost of Work this year	Total	
	£ s d	£ s d	£ s d	£ s d
To Jobbing Order No. 83.—J. Bloomfield	5 11 0	14 9 2	14 9 2	15 15 0
" " " " 84.—Crane & Co.	..	49 2 9	54 13 9	62 10 0
" " " " &c.	..	..	..	..
" General Profit and Loss Account ..	..	..	133 0 0	..
	23 0 0	87 0 0	1,013 0 0	1,013 0 0
WORK IN PROGRESS				
To Jobbing Order No. 105.—F. Irwin & Co.	..	4 10 0	4 10 0	4 10 0
" " " " &c.	..	..	..	..
" " " " &c.	23 0 0	14 0 0	14 0 0	14 0 0

GENERAL PROFIT AND LOSS ACCOUNT for year ending 31st December 1912.

	£ s d	£ s d	£ s d	£ s d
To Gross Profit, carried down ..	..	4,793 0 0	..	4,793 0 0
To Establishment Charges, viz. :—				
Salaries	300 0 0		By Profit on Stores	..
Yard Wages	320 0 0		" Completed Contracts	..
Rent, Rates, and Taxes	270 0 0		" Uncompleted Contracts	..
Insurance	95 0 0		" Completed Jobbing Accounts	..
Stamps and Telegrams	60 0 0		" Establishment Charges	..
Accidental Charges	40 0 0		" (being the estimated amount thereof charged	..
Accountants' Fees	25 0 0		to the various contracts, now written back)	..
Travelling Expenses	10 0 0			
Subscriptions and Gratuities	..			
Interest	475 0 0			
Bank Charges	48 0 0			
Depreciation..	135 0 0			
Net Profit, appropriated thus :—				
John Scafold—this	1,570 12 6		By Balance, brought down	..
James Plant—this ..	942 7 6		" Discounts	..
	2,513 0 0			
	£ 4,908 0 0			£ 4,908 0 0

Messrs. SCAFFOLD, PLANT & COMPANY.
BALANCE SHEET at 31st December 1912.

Liabilities.				£	s	d	Assets.				£	s	d					
<i>Capital Accounts:—</i>							<i>Plant and Machinery:—</i>											
John Seaford	Balance at 1st January 1912	..	..	4,334	7	6	Balance at 1st January 1912	..	..	..	1,229	0	0			
	Add Interest on capital	..	..	250	0	0	Add Additions during the year	..	..	..	220	0	0			
	8ths of net profits for year	..	..	1,570	12	6	Less Provision for Depreciation	..	..	..	1,449	0	0			
		..	..	6,155	0	0	Previously	..	..	..	143	0	0			
		..	..	530	0	0	This year	..	..	..	122	0	0			
	Less Drawings ..	..	..	..	..	5,605	0	0			..	265	0	0	1,184	0 0
<i>James Plant</i>							<i>Horses, Cattle, Harness, &c.:—</i>											
Balance at 1st January 1912	..	..	..	4,100	12	6	Balance at 1st January 1912	..	..	..	200	0	0			
Add Interest on capital	..	..	..	225	0	0	Add Additions during the year	..	..	..	30	0	0			
8ths of net profits for year	..	..	..	942	7	6		..	..	..	230	0	0			
		..	..	5,268	0	0	Less Depreciation	..	..	..	30	0	0			200 0 0
	Less Drawings ..	..	..	350	0	0		..	..	..	1,337	0	0			
		4,918	0	0	<i>Stock:—</i>									
<i>Creditors:—</i>							<i>Stores on hand</i>											
On Open Accounts	..	..	..	3,780	0	0	Work in progress—Contracts	..	..	..	34,594	0	0			
On Bills Payable ..	..	..	..	848	0	0	Add Provision for estimated	..	..	..	1,036	0	0			
For accrued liabilities at this date	..	..	..	150	0	0	profits less losses	..	..	..	35,630	0	0			
		4,778	0	0	Less Cash received on Account	27,700	0	0				
		7,930	0	0				
		14	0	0				
<i>Debtors:—</i>							<i>Work in progress—Jobbing</i>											
		Cash:—	9,281 0 0	
		At Bank	4,361 0 0	
		In Hand		
		In Hands of various Foremen	275 0 0	
			
		£ 15,301 0 0	

APPENDIX A.

SHOWING HOW THE SYSTEM DESCRIBED IN THE
FOREGOING PAGES MAY BE MODIFIED TO MEET
THE CASE OF A SMALL BUILDER.

As some builders do not care to go into the detail which the system explained in the foregoing pages involves, it has been thought advisable to show how this system may be amended to meet their requirements. At the same time it must be pointed out that by such amendment a portion of the thoroughness of the system is lost. There will be a slight saving in clerical labour and the consequent expense, but the information given will not be so complete.

Certain books will be omitted entirely, while others will be slightly altered. Those omitted are:—

- The Stores Issued Analysis Book.
- The Stores Returned Analysis Book.
- The Stores Ledger.
- The Machinery and Plant Journal and Ledger.

The rulings of the following will also require modifying:—

- Purchase Journal.
- Accounts Rendered Book.
- Wages Book.
- Contract Journal.

It is, of course, quite possible to adopt a middle course between these two systems. Such, however, will readily occur to the person who thinks it advisable to do so. Thus many builders who feel inclined to adopt this amended system may still think it necessary to keep a close supervision over their stores department. This would be obtained by bringing in the Stores Ledger, &c., as previously explained. (*Vide* p. 32.)

The important points which this modified system does not provide for are as follows, but as any one or more of these may be introduced without the others, it is thought that the requirements of all will be met :—

I.—A detailed account of the stores is not kept, and it is therefore difficult to account for a discrepancy in this department—whether it arises through speculation or otherwise while a profit or loss cannot so readily be identified with a particular class of stores.

II.—No record is available as to the position of the various articles of plant, with the attendant danger of losing sight of some article completely.

III.—The Contract Ledger only shows the *direct* cost of a contract, and does not include the various incidental expenses of the business, which are incurred for the benefit of the whole, but are not applicable to any one undertaking.

The various alterations will now be dealt with. Where any particular book or matter is not referred to, the system, so far as it relates thereto, is not affected.

This is caused by the following books, &c., not being kept :—

I.—

Stores Issued Analysis Book.
Stores Returned Analysis Book.
Stores Ledger.

(The Stores column is not posted in detail to the Stores Ledger from the Purchase Journal and Accounts Rendered Book.)

II.—

Machinery and Plant Journal and Ledger.

(The Machinery and Plant column in the Purchase Journal is not posted in detail to the Machinery and Plant Ledger.)

III.—

Establishment Charges Account (Impersonal Ledger).

(The Establishment Charges columns are omitted in the Wages Book and Contract Journal.)

THE PURCHASE JOURNAL.

The ruling of this book is slightly altered, and the revised form is given at p. 60. The folio columns attached to the "Stores" and "Machinery and Plant" columns are omitted, as the Ledgers of these two departments are not kept now. (*Vide* p. 57). Accordingly the detail postings from these columns are not necessary. The items in the "Contract" and "Jobbing" columns are still posted to their respective Ledgers, and postings are also made in detail from the "Sundries" column.

In order to show more clearly the different manner in which this book is kept, the same entries are made in the *pro forma* Purchase Journal at p. 60 as in that given at p. 7.

PURCHASE JOURNAL.

Date	Name	Particulars	No. of Invoice	Folio	Detail	Total	Contract	Jobbing	Stores	Plant and Machinery	Sundries
						£ s d	£ s d	£ s d	£ s d		£ s d
1912 June 1	Jas. Hall & Co.	Mahogany	..	..	..	20 2 0	..	..	20 2 0	..	..
" 2	Thomas Hepple ..	Plumbing ..	..	..	..	9 10 1	..	..	..	..	..
" 3	Thomas & Co., Lim.	Genent ..	..	..	..	51 0 0	51 0 0	..	..	..	..
" 5	T. R. Sharpe ..	Bay Mare "Polly", Hassan Harris and Harness A/c )	..	..	..	30 0 0	..	..	..	..	30 0 0
						£ 2,972 8 11	2,521 4 8	81 4 0	312 0 3		58 0 0

ACCOUNTS RENDERED BOOK.

It will be seen from the amended example of this book given at p. 62 that only the inner folio column attached to the "Stores" column has been omitted from that previously given at p. 9. This omission arises through the discontinuance of the "Stores" Ledger. The postings are now simply one series of debits and another of credits (no double posting). The personal accounts affected are debited from the "Total" column, and the credits to balance same (being the totals of the "Contracts," "Jobbing," and "Stores" columns) are posted to the Contracts (Finished Work) Account, Jobbing (Finished Work) Account, and the Stores Account.

By comparing the entries made in the two forms given of this book (pp. 9, 62), the different mode of treatment will be more clearly seen.

ACCOUNTS RENDERED BOOK.

Date	Name	Particulars	Folio	Detail	Total	Contract	Jobbing	Stores
1912								
Nov. 2	Armstrong & Co.	Contract No. 185—Stables at		..	£ 3,800 0 0	£ 3,800 0 0	£ 39 8 4	£ 2 2 0
"	J. D. Howman	Jobbing No. 81—Repairs to House		..	39 8 4	..	..	..
"	Wantage & Williams	11 Sacks Cement at 42s. per ton ..		..	2 2 0	..	..	..
					£ 4,601 15 8	4,511 3 9	75 0 8	15 11 3

THE WAGES BOOK.

The only alteration necessary here is to omit the "Establishment Charges" column. This has been done in the form given at p. 64, and by comparing the entries in this form with those at p. 16 the following explanations will be simplified. As the "Establishment Charges" column is omitted, the postings from same to the "Contract" Ledger are not made, nor are those from the foot of this column crediting Establishment Charges Account and debiting Contracts (Work in Progress) Account and Yard Wages Account. Otherwise than this, the method of keeping this book and posting same remains as previously explained. (*Vide* p. 10.)

[illegible]

THE CONTRACT JOURNAL.

So far as this book is concerned one column has been omitted and another inserted. Thus the "Stores" column takes the place of the "Establishment Charges" column.

The necessity for the introduction of a "Stores" column into this book arises through the Stores Analysis Books being discontinued. As the various stores are issued from the yard, memos will be received in the office, either in the form of Order Book Counterfoils as previously explained (*vide* p. 27) or in some other way. From these the "Stores" column of the Contract Journal will be written up. In the "Particulars" column, in addition to a description of the goods, will be noted the number of the contract or job to be charged. The amount will be entered in the "Stores" column and extended to the "Contract" or "Jobbing" column, as the case may be. As regards the treatment of Cash Sales see later (p. 67).

The analysis of the "home sheet" wages (other than yard wages) is also dealt with through this book. The remarks at p. 17 apply to this, however, other than those referring to establishment charges, which are not introduced here.

The additions will be made weekly, and the totals of the "Wages" and "Stores" columns must together equal the totals of the "Contracts" and "Jobbing" columns. The total of the "Wages" column must also agree with the amount shown as "Sundries as per C. J.——" at the foot of the Wages Book for that week.

The items in the "Contract" and "Jobbing" columns are debited in the "Contract" and "Jobbing" Ledgers to the accounts indicated in the "Particulars" column. The totals of these two columns are debited to the Contract (Work in Progress) Account and Jobbing (Work in Progress) Account, and the "Stores" column total is credited to the Stores Account. The total of the "Wages" column is not posted.

APPENDIX A.

CONTRACT JOURNAL.

[illegible]

CASH BOOK.

Cash sales will now be posted direct from the Cash Book to Stores Account in the Impersonal Ledger, and not to Cash Sales Account, as explained *ante* (p. 44).

These sales were previously credited to a separate account in order that they might be apportioned (through the Stores Issued Analysis Book) to their proper accounts in the Stores Ledger, but as this Ledger has been discontinued, the necessity for an intermediate account (Cash Sales Account) does not arise.

STORES ANALYSIS BOOKS.

As these two books have been omitted, a slight change takes place throughout the system. The entries previously passed through these books now go through the Contract Journal as regards stores issued, and the Transfer Journal as regards stores returned. The entry in a case of goods returned to store would be :—

			£	s	d	£	s	d
XIV.—Stores Account	..	Dr.	22	5	0			
To Contract No. 185	..					22	5	0
Timber returned to Stores this day								

The method of treating stores issued is dealt with under the "Contract Journal." (*Vide* p. 65).

IMPERSONAL LEDGER.

Stores Account.—

The subsidiary books from which the items in this account are posted will now be rather difficult. The debits will come through the Purchase Journal and Transfer Journal, and the credits through the Accounts Rendered Book, Cash Book, and Contract Journal. Cash Sales will be posted direct from the Cash Book to Stores Account, instead of going to a Cash Sales Account. The Transfer Journal will be used

where goods are returned to store from a contract, Journal entry XIV (*vide* p. 67) being an instance. There will also be an entry at the close of the year similar to Journal entry V (*vide* p. 46), though it will not now be possible to show the various classes of stores on which profits have been made. The balance on this account brought down at the close of the year will agree with the total of the Stock Sheets.

Machinery and Plant Account.—

This account will be posted up from the same books as before. It will not, however, be reconciled with the Machinery and Plant Ledger. As this Ledger is not kept, the yearly depreciation can be posted direct to the Machinery and Plant Account, instead of raising a "Provision Account" for same. The dropping of the Machinery and Plant Ledger does away with the objection to the posting of the depreciation direct to this account.

The Establishment Charges Account and Cash Sales Account

are no longer necessary. The establishment charges have been omitted entirely, and the cash sales are posted direct from the Cash Book to the credit of Stores Account.

BALANCE SHEET AND PROFIT AND LOSS ACCOUNTS.

The Profit and Loss Accounts given at pp. 53-55 are now repeated (pp. 71-73) showing how same are affected by the change in the system. The balance of net profit is of course the same, but it will be observed that the profits shown on the "Contracts" and "Jobbing" Profit and Loss Accounts are larger, while the credit in the "General" Profit and Loss Account "Establishment Charges" is omitted, and the debit "Yard Wages" is reduced by £30.

The reason for this is that as the percentage on the wages previously debited to the various contracts, &c., has now been omitted, the "Contracts" and "Jobbing" Profit and Loss Accounts show a larger profit than has really been made on same, for no account is taken therein of the general expenses of the business.

It will be noted that a credit is passed in the second section of the "Contracts" Profit and Loss Account for £1,030, being establishment

charges on the work in progress at 31st December 1912. This is the proportion of the general expenses of the year applicable to work uncompleted. The method in which same is brought into the books is shown by Journal entry XVI below. The same result would have been obtained had these charges been adjusted "*as profits*" in the second column on the credit side of this account, but it is advisable to show exactly what amounts are added respectively for "*Establishment Charges*" and "*Estimated Profit*." The two items (£800 and £250) on the debit side of this account are similar entries last year now written back (*vide* Journal entry XV).

Similar entries are made in the "Jobbing" Profit and Loss Account. In practice, of course, such small sums (£2 and 15s.) would not be dealt with, but they have been introduced here to show exactly the variation between the two systems.

A credit of 15s. will be found in the "General" Profit and Loss Account as "Profit on Uncompleted Jobbing Accounts." This arises through the Establishment Charge percentage being calculated on the outstanding jobbing work.

1912		£	s	d	£	s	d
Jan	1.—Contracts (Work in Progress)						
	Account Dr.	1,050	0	0			
	Jobbing (Work in Progress)						
	Account Dr.	2	0	0			
XV.—	To Establishment Charges						
	Provision Account ..				1,052	0	0
	Writing back provision for Establish-						
	ment Charges on Uncompleted						
	Work at 31st December 1911.						

1912		£	s	d	£	s	d
Dec. 31.—Establishment Charges Provision							
Account Dr.		1,030	15	0			
To Contracts (Work in Progress)							
Account					1,030	0	0
XVI.— To Jobbing (Work in Progress)							
Account						15	0
Provision for Establishment Charges							
on Uncompleted Work at this date.							

"JOBGING" PROFIT AND LOSS ACCOUNT for year ending 31st December 1912.

	Work in Progress 1 Jan. 1912	Cost of Work in this Year		Total		£ s d
	£ s d	£ s d	£ s d			
<i>Finished Work.</i>						
To Jobbing Order No. 83—J. Bloomfield	..	13 18 4	13 18 4	..	By Jobbing Order No. 83—J. Bloomfield	15 15 0
" " " No. 84—Crane & Co.	5 5 0	47 3 2	52 8 2	..	" " " 84—Crane & Co.	62 10 0
" " " " &c.	..	..	..	..	" " " "	..
" Establishment Charges added at 31st December 1911	2 0 0	..	2 0 0	..	" " " "	..
" General Profit and Loss Account .. ..	..	..	162 5 0	..	" " " "	..
	23 0 0	827 15 0	1,013 0 0			1,013 0 0
<i>Work in Progress.</i>						
To Jobbing Order No. 105—F. Irwin & Co.	..	4 4 0	4 4 0	..	By Jobbing Order No. 105—F. Irwin & Co.	4 4 0
" " " " &c.	..	..	..	..	" " " &c.	..
" Establishment Charges added	..	..	0 15 0	..	" Establishment Charges added	0 15 0
" General Profit and Loss Account .. ..	..	..	£14 0 0	..	" " " "	£14 0 0

GENERAL PROFIT AND LOSS ACCOUNT for year ending 31st December 1912.

	£ s d	£ s d	£ s d	£ s d	£ s d
To Gross Profit carried down .. ..	..	..	4,763 0 0	..	4,763 0 0
<i>To Establishment Charges, viz.:</i>					
Coal, Gas, Water, &c. ..	300 0 0	..	..	..	300 0 0
Salaries	520 0 0	..	..	..	520 0 0
Yard Expenses	270 0 0	..	..	..	270 0 0
Rent, Rates, and Taxes ..	95 0 0	..	..	..	95 0 0
Insurance	60 0 0	..	..	..	60 0 0
Stamps and Telegrams ..	40 0 0	..	..	..	40 0 0
Incidental Charges	50 0 0	..	..	..	50 0 0
Accountants' Charges ..	25 0 0	..	..	..	25 0 0
Printing Expenses	10 0 0	..	..	..	10 0 0
Subscriptions and Gratuities ..	..	..	..	..	..
Interest	475 0 0	..	..	..	475 0 0
Bank Charges	48 0 0	..	..	..	48 0 0
Depreciation	152 0 0	..	..	..	152 0 0
Net Profit appropriated thus:—	1,570 12 6	..	..	..	1,570 12 6
John Scaffold, Jhs	942 7 6	..	..	..	942 7 6
James Plant, Jhs .. ..	..	..	..	..	..
	..	..	2,513 0 0	..	2,513 0 0
	..	..	£4,878 0 0	..	£4,878 0 0
<i>By Profit on Stores</i>					
" Completed Contracts .. ..	..	..	..	..	..
" Uncompleted Contracts ..	..	..	..	..	..
" Completed Jobbing Accounts .. ..	..	..	..	..	..
" Uncompleted Jobbing Accounts .. ..	..	..	..	..	..
	..	..	162 5 0	..	162 5 0
	..	..	0 15 0	..	0 15 0
	..	..	£4,763 0 0	..	£4,763 0 0
<i>By Balance brought down</i>					
" Discounts .. ..	..	..	..	..	..
	..	..	4,763 0 0	..	4,763 0 0
	..	..	115 0 0	..	115 0 0
	..	..	£4,878 0 0	..	£4,878 0 0

APPENDIX B.

AN ALTERNATIVE SYSTEM.

The books required under this simplified system are as follows:—

Cash Book.
Purchase Journal. (Credit Journal or Credit Book.)
Accounts Rendered Book. (Debit Journal.)
Wages Book.
Contract Ledger. (Cost Book.)
Transfer Journal; and
Ledgers (General, Impersonal, Private, &c.).

Except where otherwise stated, the preceding remarks under these various books apply here.

CASH BOOK.

In the place of the Bank Cash Book previously given, we now have a book providing for both bank and cash transactions. By this means the Petty Cash Book is abolished, a note being taken of the various petty disbursements, and the same passed through the Cash Book in totals each month. It has not been considered necessary to give a ruling of this book; it is simply the usual form of Cash Book, with Discount, Cash, and Bank columns on both sides. As before, "double posting" will be avoided as far as possible; the only case in which it need arise being in the posting of such of the items in the Monthly Summary of Petty Payments as are incurred on and charged to "Contracts."

PURCHASE JOURNAL.

This book (*pro forma* p. 77) is quite different from those given at pp. 7 and 60. It is balanced monthly. No Date column is given in the form, the month of the year being written in on the top of the book; but if it was thought necessary, a Date column could be added at the left-hand side.

The six "blank" columns in the centre of the book will have the numbers of the contracts on which expenditure is being incurred filled in each month. Should more of these columns be necessary, it is, of course, a simple matter to increase same to an adequate number. The Jobbing, Pug Mill, Cartage, and Charges columns being always in use, their respective headings are printed in. Possibly in certain cases all these columns will not be required; if so, such can be omitted.

After the invoices have been checked and passed, they will be entered up in the Purchase Journal. The total amount of each invoice is entered in the "Total" column against the creditor's name, and posted to the credit of the Personal Account in the Ledger. This total is then analysed out over the various columns in the Purchase Journal to which it relates.

The wages are analysed monthly under the head of each contract, and further sub-divided under each trade for each contract. The total wages for the month are entered in the Total column, and the details extended as shown in the *pro forma* at p. 77. It will be noted that every column carries a certain amount of the month's wages. The Jobbing, Pug Mill, and Cartage items are in respect of the labour in those different departments, while the item in "Charges" includes the office wages and an amount drawn by the principal for supervising. The wages for the month are posted from the "Total" column to the credit of Wages Account in the Ledger, and thus balances the debit to that account (posted weekly from the Cash Book).

After dealing with the month's wages in this way, the work done by the pug mill and carts requires to be dealt with. The men at each pug mill will keep a record of the work they do, as will the cartmen. These records will come to the office, and at the month's end will be summarised under the various contract numbers and priced out.

ACCOUNTS RENDERED BOOK.

Date	Name	Particulars	Folio	Total	Contracts	Jobbing
1912 June 5	Robt. Rennison	Repairs at 15 Havelock Street	39	£ s d 18 4 3	£ s d ..	£ s d 18 4 3
11	James Morwell & Co.	Contract No. 45 . .	78	773 16 7	773 16 7	
				£ 2,113 11 9	1,982 12 11	130 18 10

ACCOUNTS RENDERED BOOK.

The form of this book (see above) is slightly altered from that given at p. 62, the "Detail" and "Stores" columns being omitted. A Stores Account is not kept under the present system, the material being charged direct to the contract to which it is ultimately to go, any adjustment necessary being made through the Transfer Journal.

WAGES BOOK.

The form of Wages Book given at p. 64, omitting the Contract Ledger Folio column, will apply here; or in some cases the Time Book may be found sufficient. No postings are made from this book, the monthly Summary of Wages (the information for which is obtained here) being passed through the Purchase Journal (*vide* p. 77).

The Sub-Wages Cash Books (*vide* p. 24) not being kept under this system, it is usual to keep a note of the "subs" on the side of the Time Book.

CONTRACT LEDGER.

Under this system it is assumed that very little jobbing work is done, and therefore the jobbing costs are not kept. Where, however, it is decided to keep the jobbing costs, the form of ruling given at p. 39 will apply.

The columnar form of Contract Ledger now given (p. 80) has been slightly altered from that given at p. 37. The latter form would apply equally here, but it has been thought advisable to show how the detailed information on "costs" may be enlarged or contracted. Thus, it is assumed that the builder here is working another trade—viz., Painters, and the "Sundries" column of the Form on p. 37 is also sub-divided.

The postings are made from the Purchase Journal chiefly, though a few items—such as transfers of material, &c., from one contract to another—will come through the Transfer Journal. There will also occasionally be a monthly posting from the Cash Book for petty disbursements on account of the contract (*vide* p. 74).

Contract No. 37.

CONTRACT

Date	Name	Folio	Total	Land, &c.	Carting	Slating	Plumb- ing	Exca- vating	Bricklayers	
									Wages	Material
			£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d
1912 Mar. 31	T. C. Jones ..	P.J.	55 4 9	..	..	..	..	..	..	..
"	Fawcett & Co. P.J.	5 12 4	..	..	..	..	..	..	..	..
"	Wages ..	P.J.	205 2 7	..	..	..	..	..	113 10 11	..

LEDGER.

BINDING	Masons		Joiners		Plasterers		Painters		Date	Particu- lars	Folio	Credit
	Wages	Material	Wages	Material	Wages	Material	Wages	Material				
	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d				
	..	..	..	55 4 9	..							£ s d
	..	..	..	..	..	..	..	5 12 4				
	40 1 0	..	16 19 1	..	34 11 7							

TRANSFER JOURNAL.

This book is the usual form of Journal with two Money columns and a Folio column. As already indicated, Purchases of Plant, Machinery, &c., are passed through here, as are transfers from one Cost Account to another. Double postings will frequently have to be made from this book, and accordingly great care is necessary to see that such are in order.

The *pro forma* Journal entries given at pp. 46 and 47 will not apply here *in toto*. Thus entries V and VII are not necessary, while in the case of III and XI "Charges" will appear in place of "Sundries." The closing entries XII and XIII will also require amending.

LEDGERS (GENERAL, IMPERSONAL, PRIVATE, &c.).

These can be amalgamated or split up according to the size of the particular concern.

The alteration in the posting of the Contract Accounts, Wages Account, &c., from that indicated on pp. 40 to 45 has already been dealt with. The Stores, Yard Wages, Cash Sales, and Sub Wages Accounts disappear under the present system. The "Establishment Charges Account," as dealt with at p. 44, also falls out, but a "Charges Account"—an entirely different account—appears. In this "Charges Account" we have the *actual* general expenses of the business (Rent, Rates, Coal, Gas, Salaries, Insurance, &c. &c.) in one total. It can, of course, if necessary, be analysed or divided up.

PROFIT AND LOSS ACCOUNTS.

There are two of these accounts, the Contract Profit and Loss Account (*pro forma* at p. 83) and the General Profit and Loss Account (*pro forma* p. 84).

The form of the Contract Profit and Loss Account has been slightly altered from those given at pp. 53 and 71, columns being added for Charges, Profit, and Loss. In this case the item "Charges" has been apportioned over the contracts on the turnover basis, but with a little extra trouble the wages basis could be adopted as recommended on

pp. 3 and 4. It will be noted that the proportion of "Charges" on Work in Progress has been carried forward, but, of course, the whole of this item might be written off each year, and perhaps in some cases it is better to do so.

The Contracts Profit and Loss Account has been treated in this manner here to show how the previous remarks may be varied.

The General Profit and Loss Account is a short and simple account, and does not call for further comment.

"CONTRACTS" PROFIT AND LOSS ACCOUNT, for year ending 31st December 1912.

Contracts	Work in Progress at 1st Jan. 1912	Cost of Work (turnover) this year	Charges Apportioned	Profits	Total	Contract Price	Work in Progress at 31st Dec. 1912	Losses	Total
	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d
No. 28 ..	1,152 18 3	200 19 0	67 13 0	127 7 3	1,548 17 6	1,548 17 6	..	..	1,548 17 6
" 29 ..	1,431 18 8	1,110 13 11	57 14 0	7 2 2	1,548 19 2	1,548 19 2	..	..	1,548 19 2
" 30 ..	1,900 14 9	2,436 16 7	29 0 0	196 12 6	4,798 12 0	4,798 12 0	..	..	4,798 12 0
" 31 ..	137 15 4	20 1 0	10 16 0	31 16 4	259 8 8	401 19 8	..	91 8 6	403 8 2
" 32 ..	234 5 0	35 11 5	13 9 0	181 19 7	285 5 5	259 8 8	..	22 11 9	259 8 8
" 33 ..	14 6 8	1,540 7 11	77 14 0	366 7 11	1,814 8 2	1,814 8 2	..	39 8 9	1,814 8 2
" 34 ..	..	676 10 7	33 16 0	..	710 16 7	676 10 7	..	..	710 16 7
" 35 ..	..	1,163 7 11	18 3 0	..	1,181 10 1	1,181 10 1	..	..	1,181 10 1
" 36 ..	..	2,538 17 7	141 18 0	174 9 7	3,253 5 2	3,253 5 2	..	..	3,253 5 2
" 37 ..	..	1,593 9 1	79 13 0	..	1,673 2 1	1,673 2 1	..	..	1,673 2 1
" 38 ..	..	247 4 2	12 7 0	..	259 11 2	259 11 2	..	..	259 11 2
" 39 ..	..	274 2 3	13 14 0	25 2 3	312 18 6	312 18 6	..	..	312 18 6
" 40 ..	..	538 13 7	2 18 0	18 0 4	539 13 1	539 13 1	..	..	539 13 1
" 41 ..	..	816 11 1	43 15 0	43 15 0	859 16 1	859 16 1	..	..	859 16 1
" 42 ..	..	696 3 0	34 16 0	43 16 10	773 16 7	773 16 7	..	..	773 16 7
" 43 ..	..	1,372 19 10	..	..	1,372 19 10	..	..	..	1,372 19 10
" 44 ..	..	100 8 8	..	..	100 8 8	..	..	..	100 8 8
" 45 ..	..	227 8 1	11 7 0	16 3 5	254 18 6	254 18 6	..	..	254 18 6
" 46 ..	..	71 18 1	..	..	71 18 1	..	..	..	71 18 1
" 47 ..	..	9 0 6	..	..	9 0 6	..	..	..	9 0 6
" 48 ..	..	43 5 6	..	..	43 5 6	..	..	..	43 5 6
" 49 ..	..	..	45 13 3	..	..	..	..	..	..
" 50 ..	..	..	79 17 0	..	..	..	..	..	..
" 51 ..	..	..	..	..	..	..	..	..	..
Charges debited to Jobbing ..	..	..	..	..	..	..	..	..	..
" on Work in Progress ..	..	..	..	..	..	..	..	..	..
Capitalised ..	..	..	..	..	..	..	..	..	..
Profit on Contracts ..	3,765 18 9	16,040 15 8	1,035 10 3	1,278 12 6	21,996 6 11	20,096 5 11	1,597 12 3	976 3 9	21,996 6 11

For year ending 31st December 1912.

[illegible]

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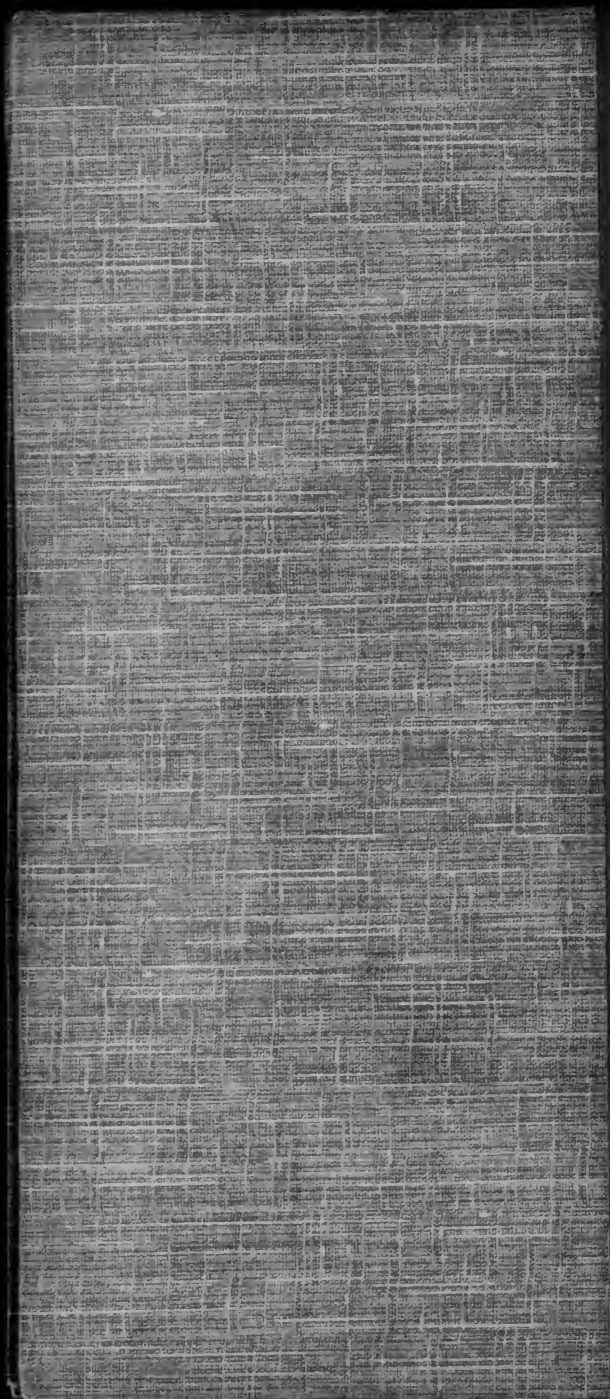
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